

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

October 20, 2009

TO: Internal File

THRU: Priscilla Burton, En Sci III / Soils Reclamation Specialist / Team Lead
Daron Haddock, Title V Coal Program Manager, DOGM / Task Manager

FROM: Peter Hess, En Sci III / Bonding

RE: PERMIT APPLICATION, Alton Coal Development, LLC, Coal Hollow Mine, C/025/0005, Task ID # 3371

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SUMMARY:

The Permit Applicant, Alton Coal Development, LLC, submitted new, detailed Cost Estimate sheets for the Coal Hollow Project on October 14, 2009.

The submitted information was scanned and E-mailed to the Price Office for evaluation on October 15, 2009. The new information will be reviewed under Task ID #3371.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

Alton Coal Development, LLC anticipates disturbing 435 acres (See Drawing 5-2, Disturbance Sequence) to develop this mine, recover the coal, and reclaim the permit area.

Determination of Bond Amount

R645-301-830.140, Detailed Cost Estimates,

Alton Coal Development, LLC provided detailed cost estimates, with supporting calculations for the following Mine areas on October 14, 2009;

- 1) Demolition of the Facilities and Structures / Loadout as shown on Drawing 5-4.
- 2) Reclamation costs for ponds 2 and 3, including backfilling and grading, re-soiling and re-vegetating.
- 3) Reconstruction of Robinson Creek
- 4) Total Reclamation Costs for Stage 1, to include backfilling and grading, topsoiling and re-vegetation of the 69 acres associated with the mining area.
- 5) Total Reclamation Costs for Stage 2, to include backfilling and grading, topsoiling and re-vegetation of the 68 acres.
- 6) Total Reclamation Costs for Stage 3, to include backfilling and grading, topsoiling and re-vegetation of the 99 acres.
These total costs must include reclamation costs for the final (or Stage 3 remaining pit) pit area depicted on Drawing 5-19.
- 7) Total Reclamation Costs for the Stage 1 excess spoil reclamation.

As described on Page 13 of the October 15, 2009 submittal, the Phase 1 reclamation cost includes the demolition of the constructed facilities, which must remain through Phase 3, the backfilling and grading of Pits 1 to 6, and re-handling the entire excess spoil pile to backfill pits 7 and 8. The cost figures include sub and top soiling, and re-seeding of the entire area of Pits 1-8. Material handling is accomplished by dozers and truck-shovel combinations. Cost data from CostMines Coal Cost Guide and Mine/Mill Equipment Cost Data were used to develop overall cost estimates. Calculations were performed by Dozsim and Fleet Production/Cost Analysis software packages.

Three reclamation areas are included in Phase 1;

- a) the Mine facilities area
- b) the specialized reclamation areas (Ponds 2, 3, and 4 & Robinson Creek area)
- c) the Mine reclamation area (Pits 1 through 8).

The Division has determined a 2009 bond estimate including direct and indirect costs to be \$ 5,817,858.00. This amount is a 2009 cost only, and this figure must be escalated through the Permit midterm which is 2012.

Phase 2

During Phase 2, Pits 7 through 14 have been backfilled. Once again, dozers and truck / shovel combinations have been utilized to replace the excess spoil, subsoil and topsoil. This cost estimate was determined using the same methods described in Phase 1. During Phase 2, Pit 15 is the last pit in the phase where coal recovery has occurred.

The Division has determined that an additional bond amount of \$ 9,900,000.00 must be posted with the Division prior to the initiation of Phase 2 mining activities.

Phase 3

Drawing 5-19 in the PAP shows the detail at this stage of the Mine development. In this Phase, coal recovery has been completed from Pits 1 – 30. Pits 1 – 23 have been backfilled and graded. The excess spoil pile contains 8.6 million loose cubic yards, of which 6.6 million cubic yards will be used to backfill Pits 24 –30. This statement is based on ACD not being able to obtain additional Federal leases located to the west of the proposed permit area. ACD will use overburden stripped from the newly procured federal leases to backfill pits 24 –30 if those leases are permitted through the regulatory agencies.

Similar to Phases 1 and 2, dozers and truck / shovel combinations will be used to backfill Phase 3.

The Division has determined a reclamation cost estimate for the Phase 3 area of \$ 9,560,000.00.

Form of Bond

To date, (October 19, 2009) Alton Coal Development, LLC, has not posted a reclamation bond with the Division. The Division determined that a bond amount of \$ 6,045,000 must be posted in order to obtain a Permit from the Division and initiate Phase 1 activities.

Terms and Conditions for Liability Insurance

The Applicant met the requirements of this section. Liability insurance form is found in Appendix 1-4.

Findings:

The provided reclamation cost estimates provided by the Permittee for Phases 1, 2, and 3 of the Coal Hollow Mine have been reviewed and are felt to be adequate. The requirements of R645-301-800 have been adequately addressed.

RECOMMENDATION:

When the Permit Applicant, Alton Coal Development, LLC, posts a \$ 6,045,000.00 reclamation bond with the Division, the Division should issue the surface mining permit C/025/005.

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